

Message Text

UNCLASSIFIED

PAGE 01 CAIRO 03041 01 OF 04 081047Z

17

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

INRE-00 SAM-01 SAB-01 AGR-10 IO-11 NEAE-00 SP-02

AID-05 EB-07 NSC-05 CIEP-02 SS-15 STR-04 OMB-01

CEA-01 COME-00 FRB-01 INR-07 XMB-04 OPIC-06 LAB-04

SIL-01 /099 W

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O 080935Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 765

INFO SECTREASURY IMMEDIATE

USIA WASHDC IMMEDIATE

UNCLAS SECTION 1 OF 4 CAIRO 3041

TREASURY PASS SECRETARY SIMON'S PARTY

E.O. 11652: N/A

TAGS: OVIP (SIMON, WILLIAM), EGEN, EG

SUBJECT: SIMON VISIT: AIRPORT PRESS CONFERENCE TRANSCRIPT

FOLLOWING IS TRANSCRIPT OF PRESS CONFERENCE BY SECRETARY SIMON
AT CAIRO AIRPORT PRIOR TO DEPARTURE ON MARCH 7:

SECRETARY: HELLO EVERYBODY. WE DON'T HAVE MUCH TIME BEFORE MY PLANE
TAKES OFF. I HAVE NO PREPARED STATEMENT, JUST PERHAPS A FEW
THOUGHTS ABOUT MY VISIT. WE HAD VERY PRODUCTIVE AND IMPORTANT
DISCUSSIONS THROUGHOUT MY TRIP IN THE MIDDLE EAST, AND MOST
ESPECIALLY HERE IN EGYPT. AS WE PURSUE OUR PARALLEL POLICIES,
IF YOU WILL, THAT ARE DESIGNED TO ASSURE A JUST AND LASTING PEACE
IN THE MIDDLE EAST WHICH IS (INAUDIBLE) THE ENTIRE WORLD.

BY PARALLEL I MEAN AS WE SEEK THE POLITICAL SOLUTIONS ON THE ONE
HAND, WE ARE GOING DOWN THE ROAD SIMULTANEOUSLY UPON THE
STRENGTHENING OF OUR ECONOMIC AND FINANCIAL RELATIONSHIPS WITH
THESE COUNTRIES CREATING, IF YOU WILL, A CLIMATE OF ECONOMIC

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CAIRO 03041 01 OF 04 081047Z

PROSPERITY BECAUSE OBVIOUSLY PEACE AND PROSPERITY ARE

INEXPLICABLY RELATED. I MET HERE IN EGYPT WITH MINISTERS ISMAIL AND SHAFIE, OF COURSE PRIME MINISTER SALEM AND OTHER MEMBERS OF THE CABINET TO DISCUSS VARIOUS ASPECTS OF OUR ECONOMIC RELATIONSHIPS. I ALSO HAD A MEETING JUST THIS MORNING FOR AN HOUR AND A HALF WITH PRESIDENT SADAT WHO IS A MAN OF TREMENDOUS VISION AND COURAGE. HE IS TRULY ONE OF THE COURAGEOUS LEADERS IN THE WORLD TODAY IN MY JUDGMENT. IT REMINDS ME REALLY A LITTLE BIT OF STATEMENTS I HAVE MADE BACK IN MY OWN COUNTRY BOTH IN TESTIMONY AND TALKS AROUND THE COUNTRY ABOUT THE DIFFERENCE BETWEEN A POLITICIAN AND A STATESMAN; A POLITICIAN WHO LOOKS TO THE SHORT RUN AND THE SEEMINGLY ATTRACTIVE BENEFITS FROM POLICIES THAT MAY IN THE LONG RUN NOT BE TERRIBLY BENEFICIAL. BUT WHEN WE HAVE A STATESMAN WHO IS WILLING TO MAKE THE DIFFICULT DECISIONS, THE DECISIONS THAT ARE GOING TO AFFECT THE LONG RUN FUTURE OF THE COUNTRY, THAT HE IS CONCERNED ABOUT THE COUNTRY AS ALL PUBLIC OFFICIALS SHOULD BE IN THEIR RESPECTIVE COUNTRIES, THE COUNTRY THAT WILL BE TURNED OVER TO THEIR CHILDREN AND THEIR CHILDREN'S CHILDREN, NOT JUST ON THE SHORT RUN PALLIATIVES. AND IN DESCRIBING MR. SADAT IN THESE TERMS I LOOK AT TWO OF THE DECISIONS, THE MOST OBVIOUS AND VISIBLE DECISIONS, THAT HAVE BEEN MADE. ONE, THE BREAKING AWAY FROM THE SOVIET UNION AND, TWO, OF COURSE, THE OPEN DOOR POLICY--THE CHANGING FROM A STATE-CONTROLLED, SOCIALISTIC SOCIETY AND ECONOMY TO ONE THAT ENCOURAGES THE INFUSION OF PRIVATE INVESTMENT. IT MUST BE QUITE APPARENT TO ANY OBSERVER THAT THERE ARE NO SHORT-RUN BENEFITS INVOLVED IN POLICY CHANGES LIKE THIS. INDEED, I COULD SAY THERE'S A GREAT DEAL OF SHORT TERM GRIEF. BUT THE LONG TERM BENEFITS ASSOCIATED WITH PROGRAMS LIKE THIS ARE OBVIOUS TO ALL, ALTHOUGH THE ACHIEVING OF THESE LONG-RUN BENEFITS ARE GOING TO REQUIRE A GREAT DEAL OF WORK. SO OUR DISCUSSIONS FOCUSED FIRST, AND BRIEFLY, ON THE PROGRESS THAT WE HAVE MADE SINCE WE ESTABLISHED THIS COMMISSION A SHORT TWENTY MONTHS AGO ON MY LAST VISIT TO EGYPT. NOW, FINE, WE'VE MADE LOTS A PROGRESS BUT WE DIDN'T DWELL ON THE PROGRESS THAT'S BEEN MADE. OUR DISCUSSIONS FOCUSED PRIMARILY ON THE PROBLEMS BECAUSE ANY TIME WE'RE GOING TO HAVE PROGRESS, WE'RE GOING TO HAVE PROBLEMS AND WE'RE GOING TO HAVE OBSTACLES PUT IN OUR PATH. OBVIOUSLY IT'S IMPORTANT FOR US, WE AS GOVERNMENTS, TO REMOVE THE IMPEDIMENTS. NOW THERE ARE TWO TYPES OF PROBLEMS: A SHORT-RUN AND A LONG-RUN PROBLEM. AGAIN, THE SHORT-RUN PROBLEM IN THE BALANCE OF PAYMENTS AREA OBVIOUSLY MUST BE MET IN THE VARIOUS FORMS OF AID AND LOANS. AS YOU KNOW THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CAIRO 03041 01 OF 04 081047Z

UNITED STATES WILL BE GIVING, LENDING IN VARIOUS FORMS IN FISCAL 76 AND 77 OVER NINE HUNDRED MILLION DOLLARS IN THIS AREA IN EACH FISCAL YEAR. BUT THIS IS NOT THE ULTIMATE ANSWER. THE ULTIMATE ANSWER IS THE DEVELOPMENT AND THE STIMULATION OF THE PRIVATE SECTOR. IT IS THE ONLY WAY THAT WE CAN INCREASE PRODUCTIVITY, AND IT'S THE ONLY WAY THAT WE CAN HAVE AN INCREASED STANDARD OF LIVING FOR THE PEOPLE OF EGYPT, AND THIS IS GOING TO REQUIRE THE INFUSION OF THE PRIVATE SECTOR AND WE HAVE REMOVED SOME OF

THESE IMPEDIMENTS ALREADY VIA THE TAX TREATIES AND OTHER
TECHNICAL MEASURES, BUT MUCH IS LEFT TO BE ACCOMPLISHED AND THAT
WAS ONE OF THE MAJOR PURPOSES OF THE FORMATION OF THE JOINT
COMMISSION, THE FORMATION OF THE VERY PRESTIGIOUS BUSINESS COUNCIL
WHICH, ON THE AMERICAN SIDE, IS CHAIRED BY TOM MURPHY, THE
CHAIRMAN OF THE BOARD OF GENERAL MOTORS, AS WELL AS MANY OF OUR
LEADING INDUSTRIALISTS IN THE UNITED STATES. THE NEED FOR CAPITAL
INVESTMENT IN EGYPT IS WELL KNOWN. WHAT IS LESS WELL KNOWN IS THE
NEED FOR CAPITAL INVESTMENT THROUGHOUT THE ENTIRE INDUSTRIALIZED
WORLD. NOW WE KNOW THAT A LACK OF AN ASSURED PEACE AND STABILITY
IN THE MIDDLE EAST IS CERTAINLY AN IMPEDIMENT TO INVESTMENT.
WE KNOW THAT THE INFRASTRUCTURE PROBLEM OF THE EGYPTIAN ECONOMY
IS AN IMPEDIMENT, SO WE HAVE TO ATTACK THOSE PROBLEMS, AND WE
HAVE TO ATTACK THEM DIRECTLY AND IN A PARALLEL FASHION AS I EX-
PLAINED BEFORE. WE DISCUSSED THIS MORNING IN MY MEETING WITH THE
EGYPTIAN-AMERICAN BUSINESS COUNCIL--OBVIOUSLY THE SENIOR MEMBERS
OF THIS BUSINESS COUNCIL WERE NOT PRESENT AT THIS SESSION BUT
THEIR REPRESENTATIVES WERE--THE IDEA OF A PRIVATE SECTOR MARSHALL
PLAN, IF YOU WILL. THIS PRIVATE SECTOR MARSHALL PLAN WOULD INJECT
THE PRIVATE CAPITAL THAT'S GOING TO BE NEEDED INTO THE
ECONOMY WHICH, OF COURSE, IS THE ONLY ULTIMATE ANSWER TO DEVELOPMENT
IN THIS COUNTRY. IT WOULD DEFINE THE OBSTACLES TO PRIVATE INVEST-
MENT SUCH AS THE EXCHANGE RATES AND THE FOREIGN EXCHANGE AVAIL-
ABILITY PROBLEM WHICH PLAGUE BUSINESS. YOU KNOW THERE IS A TERRIBLE
TEMPTATION, AND WE ARE ALL IMPATIENT, AND I WOULD SAY THAT I AM
PROBABLY AS IMPATIENT OR MORE SO THAN MOST, AND WE ALL WANT TO
SEE RESULTS. WE HAVE TO REMEMBER THAT, IN OUR INNATE CYNISM IN

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UNCLASSIFIED

PAGE 01 CAIRO 03041 02 OF 04 081143Z

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

INRE-00 SAM-01 SAB-01 AGR-10 IO-11 SP-02 AID-05 EB-07

NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 COME-00

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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC IMMEDIATE 766
INFO SECTREASURY IMMEDIATE
USIA WASHDC IMMEDIATE

UNCLAS SECTION 2 OF 4 CAIRO 3041

THIS WORLD TODAY, THAT THE PROBLEM OF LONG TERM DEVELOPMENT IS NOT ONE THAT SHOWS IMMEDIATE INSTANT SOLUTIONS AND TANGIBLE EVIDENCE OF SAME. IT'S A LONG TERM PROCESS WHOSE RESULTS AND REWARDS ARE SEEN OVER A LONGER PERIOD OF TIME. THIS COUNTRY HAS TREMENDOUS ASSETS. IT HAS GREAT UNREALIZED POTENTIALS. ITS MAJOR ASSET, OF COURSE, IS ITS PEOPLE, ITS SKILLED MANPOWER, ITS ARABLE LAND, WHERE IN THE AREA IN AGRICULTURE ALONE, INCREASING THE EFFICIENCY, UTILIZATION OF THE TREMENDOUS TECHNICAL EXPERTISE WE HAVE IN THE UNITED STATES COULD MORE THAN DOUBLE THE AGRICULTURAL OUTPUT OF THIS COUNTRY THAT HAS CROPS THREE TIMES A YEAR, WITHOUT ONE IOTA OF A WATER PROBLEM. THEY HAVE LOCAL AND REGIONAL MARKETS. SO THERE IS MUCH POTENTIAL HERE AND THAT IS WHAT WE ARE HERE TO DO--TO CREATE OVER TIME THIS ENVIRONMENT OF PROSPERITY AND TO STRENGTHEN THE ECONOMY AND I BELIEVE THAT'S WHAT OUR EFFORTS WILL RESULT IN. I WOULD BE DELIGHTED TO RESPOND TO ANY QUESTIONS THAT YOU WOULD LIKE TO ASK.

QUESTION: MR. SECRETARY, DID YOU AND PRESIDENT SADAT TALK MORE ABOUT HIS ANNOUNCEMENT OF A WEEK AGO THAT HE DOES ACCEPT, OR WILL ACCEPT, INTERNATIONAL SUPERVISION OF SOME OF HIS DEBT PROBLEMS, UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CAIRO 03041 02 OF 04 081143Z

SECRETARY: WE DISCUSSED CONSULTATION THE INTERNATIONAL MONETARY FUND; DR. WITTEVEEN WILL BE HERE ON MARCH 9. THIS WAS AN INTEGRAL PART OF MY DISCUSSION WITH ALL OF THE MINISTERS, AND THE PRIME MINISTER AS WELL, THAT IS, THE NEED TO BEGIN TO PUT INTO PLACE THE PROPER POLICIES DESIGNED TO CURE THE ULTIMATE PROBLEM. YOU KNOW SO OFTEN--AND THIS HAPPENS IN THE UNITED STATES AS WELL--WE HAVE DONE IT SO OFTEN. WE ATTACK THE RESULTS OF PROBLEMS INSTEAD OF ATTACKING THE CAUSES. WE HAVE TO GET AT THE CAUSE OF THE PROBLEM AND SOLVE IT. THAT IS THE ONLY ULTIMATE SALVATION. YES, INDEED WE DID, AND THE PRESIDENT AGREED WITH THIS AND I HAIL THIS AS A VERY POSITIVE DEVELOPMENT.

QUESTION: WHEN YOU SPEAK OF A MARSHALL PLA, WILL IT BE THE FUND THAT PRESIDENT SPOKE ABOUT DURING HIS

SECRETARY: NO. I TALKED ABOUT WHAT WAS IMPORTANT, A PRIVATE SECTOR MARSHALL PLAN. NOW WHAT DOES ONE MEAN BY A PRIVATE SECTOR MARSHALL PLAN? WELL, WE HAVE A BUSINESS COUNCIL, A NUCLEUS OF BUSINESS LEADERS FROM THE EGYPTIAN COMMUNITY AND THE UNITED STATES COMMUNITY. WHAT ARE THE IMPEDIMENTS TO INVESTMENT? LET'S IDENTIFY

THOSE AREAS THAT INHIBIT CAPITAL INVESTMENT IN THIS COUNTRY AND WORK AT REMOVING ALL OF THOSE IMPEDIMENTS SO THAT THE BUSINESS COMMUNITIES IN THE WORLD WILL BE ATTRACTED TO INVEST HERE IN THE EGYPTIAN ECONOMY. THIS IS AN ABSOLUTE MANDATORY STEP THAT IS GOING TO HAVE TO BE TAKEN BECAUSE WITH THE CAPITAL NEEDS OF, INDEED, OF A CAPITAL-STARVED WORLD AS WE LOOK AHEAD IN THE NEXT DECADE WHERE THE UNITED STATES ALONE REQUIRES FOUR AND HALF TRILLION DOLLARS OF INVESTMENT. THAT'S TRIPLE THE AMOUNT OF THE LAST TEN YEARS. AND THE SAME STORY CAN BE TOLD IN THE SAME MAGNITUDES IN MOST OF THE OTHER, AND IN ALL OF THE OTHER INDUSTRIALIZED, COUNTRIES IN THE WORLD. SO IF THERE IS GOING TO BE, AND I SUGGEST THERE IS GOING TO BE, A VERY FIERCE COMPETITION FOR FUNDS, ANY IMPEDIMENTS THAT ARE ERECTED BY A GOVERNMENT OR A COUNTRY ARE GOING TO INHIBIT THE GROWTH OF THAT PARTICULAR COUNTRY. THIS IS WHAT WE MUST REMOVE.

QUESTION: ARE YOU SATISFIED THAT THESE IMPEDIMENTS ARE ON THE WAY TO BEING REMOVED,

SECRETARY: YES, YES, I AM. NOW, AGAIN, THINGS ARE NOT GOING TO
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UNCLASSIFIED

PAGE 03 CAIRO 03041 02 OF 04 081143Z

CHANGE OVER NIGHT. WE HAVE ALMOST TWENTY-FIVE YEARS OF A STATE CONTROLLED ECONOMY. MY IMPATIENCE SHOWS AT TIMES AND WILL CONTINUE TO SHOW. WE MUST CHANGE THESE THINGS. WE MUST RECOGNIZE THAT THERE ARE SOCIAL AND POLITICAL COSTS IN MAKING THE CHANGES. IT CANNOT BE DONE PRECIPITIOUSLY, BUT THERE MUST BE A CLEAR SIGNAL TO THE INTERNATIONAL BUSINESS COMMUNITY THAT THIS IS THE PATH THAT WE ARE WALKING DOWN.

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PAGE 01 CAIRO 03041 03 OF 04 081112Z

17
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

INRE-00 SAM-01 SAB-01 AGR-10 IO-11 SP-02 AID-05 EB-07

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 767

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USIA WASHDC IMMEDIATE

UNCLAS SECTION 3 OF 4 CAIRO 3041

QUESTION: THIS MORNING THE CAIRO PRESS HEADLINED A PROMISE THAT YOU HAD REPORTEDLY MADE ON BEHALF OF WASHINGTON OF A ONE BILLION DOLLAR FINANCIAL AID PACKAGE FOR 1977. WAS THAT AN ACCURATE DESCRIPTION,

SECRETARY: WELL, THIS IS IN OUR BUDGET DOCUMENT THAT WAS SUBMITTED

TO CONGRESS FOR THE FISCAL 1977 BUDGET AND IT ENTAILS SEVEN HUNDRED AND FIFTY MILLION IN GRANTS AND LOANS, AND THE REST OF IT IN VARIOUS OTHER WAYS, SUCH AS PL 480. YES, IT IS NOT QUITE A BILLION, I THINK IT IS NINE HUNDRED AND FIFTY MILLION, IF I REMEMBER CORRECTLY. OF COURSE, IT IS NINE HUNDRED AND FORTY MILLION IN FISCAL 76.

SECRETARY: YOU SPOKE OF A CLEAR SIGNAL, MR. SECRETARY. WILL YOU BE GOING BACK TO GIVE THAT CLEAR SIGNAL TO AMERICAN INVESTORS?

SECRETARY: WELL, OF COURSE, WE HAD A GOODLY NUMBER OF THE BUSINESS COMMUNITY AND BANKING COMMUNITY IN THE MEETING WITH ME THIS MORNING. AND THIS BUSINESS COUNCIL WILL BE MEETING--THE UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CAIRO 03041 03 OF 04 081112Z

EXECUTIVE COMMITTEE--WILL BE MEETING AT THE END OF THIS MONTH IN WASHINGTON. THAT IS THE EXECUTIVE COMMITTEE OF THE U.S.- EGYPTIAN BUSINESS COUNCIL. YOU KNOW, WE DON'T HAVE TO DRAW A PICTURE FOR THE AMERICAN BUSINESSMAN, OR THE INTERNATIONAL BUSINESSMAN. INDEED, IF HE KNOWS AN OPPORTUNITY FOR PRODUCTIVE INVESTMENT AND PROFITABILITY, HE WILL SEIZE IT; YES, TO THE BENEFIT OF THE ECONOMY.

QUESTION: AND YOU ARE CONFIDENT THAT MAYBE ONE MAJOR AMERICAN PROJECT WILL NOW BE FORTHCOMING.

SECRETARY: WELL, WE HAD A LOT OF LITTLE, WHATYOU'D CALL, WHA YOU'D CALL LITTLE MINOR PROJECTS, EVERYTHING IN THE FIVE AND TEN AND FIFTEEN MILLION DOLLAR AREA. THESE THINGS HAVE CUMULATIVE EFFECT ON THE ECONOMY. YOU KNOW 95 PERCENT OF THE AMERICAN ECONOMY IS

THOUGHT OF AS U.S. STEEL, GENERAL MOTORS, FORD AND ALCOA. 95 PERCENT OF THE UNITED STATES ECONOMY CAN BE DESCRIBED AS SMALL BUSINESS, MEDIUM SIZE BUSINESS. THAT IS REALLY THE FOUNDATION OF ECONOMY. FINE, YOU ARE GOING TO HAVE BIG BUSINESS AS WELL. I AM SATISFIED THAT WE ARE MAKING SATISFACTORY PROGRESS. I AM NOT COMPLACENT IN THAT SATISFACTION ONE IOTA BECAUSE WE HAVE A LONG WAY TO GO. AND IT IS GOING TO REQUIRE A DILIGENCE AND A BREAKING-THROUGH OF A BUREAUCRATIC MENTALITY, IF YOU WILL, WHICH IS IMPORTANT. AGAIN YOU DON'T CHANGE THE ATTITUDE OF TWENTY-FIVE YEARS OVERNIGHT JUST BY A PROCLAMATION. IT REQUIRES A JOINT WILL. WE HAVE THAT WILL. LET'S GET ABOUT IT.

QUESTION: WILL THERE BE ANY RELATIONSHIP BETWEEN THE ARAB FUND AND THE UNITED STATES?

SECRETARY: WELL, WE HAVEN'T DISCUSSED, NOR HAS IT BEEN BROUGHT UP TO THE BEST OF KNOWLEDGE--PARTICIPATION IN THE FUND. WE HAVE THESE VERY LARGE AID PROGRAMS, AS YOU KNOW, DIRECTLY TO ASSIST EGYPT AND THEY ARE SUBSTANTIAL AS YOU CAN SEE BY THE NUMBERS AS WELL AS ALL THE OTHER ECONOMIC PROGRAMS THAT WE HAVE IN PLACE. AND WE WILL BE SENDING TECHNICAL ASSISTANCE OVER IN THE TAX ADMINISTRATION AREA. THE ABILITY OF THE EGYPTIAN GOVERNMENT TO PROPERLY EVALUATE PROJECTS NEEDS STRENGTHENING. WE CAN PROVIDE THIS STRENGTHENING. THERE ARE MANY WAYS THAT WE CAN HELP-- WITH THE SIGNING OF THE DOUBLE TAXATION TREATY LAST YEAR WE REMOVED A MAJOR IMPEDIMENT BETWEEN OUR TWO COUNTRIES, REMOVING UNCERTAINTY. UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CAIRO 03041 03 OF 04 081112Z

UNCERTAINTY IS THE GREATEST ENEMY OF SAVINGS AND INVESTMENT OTHER THAN INFLATION.

SECRETARY: ONE MORE QUESTION ABOUT THE PRIVATE SECTOR MARSHALL PLAN, MR. SECRETARY, YOU ARE TALKING ABOUT THE COLLECTIVE EFFORT BY PRIVATE INDUSTRY TO MAKE SUBSTANTIAL CAPITAL INVESTMENTS FOR PURPOSES OTHER THAN THEIR OWN, OR WHAT EXACTLY?

SECRETARY: ON NO, MOST CERTAINLY, DON'T EVER THINK THAT THE PRIVATE SECTOR IS INTERESTED IN ELEEMOSINARY PURSUITS COMPLETELY. YOU KNOW, THEY'RE IN BUSINESS TO MAKE MONEY, JUST LIKE ALL OF YOUR SHOPKEEPERS HERE IN THIS COUNTRY. AND THEY WILL INVEST THEIR MONEY WHERE THEY CAN GET AN ADEQUATE RATE OF RETURN, WHERE THEY ARE ENCOURAGED TO DO SO IN MANY WAYS BY THE HOST GOVERNMENT. THIS OBVIOUSLY HAS TREMENDOUS BENEFITS FOR THE ECONOMY. IT PRODUCES JOBS, CHEAPER GOODS AND SERVICES FOR A GROWING LABOR FORCE, TAKING ADVANTAGE OF ALL THE SKILLS THAT EXIST IN THE COUNTRY ALREADY. IT IS A NATURAL, NOT ONLY IN EGYPT, BUT IN THE ENTIRE REGION. AND AGAIN LET US NOT DISCOUNT THE BENEFITS THAT PROSPERITY BRINGS AS FAR AS THE LASTING PEACE IN THE MIDDLE EAST AREA, AND THESE EFFORTS ARE CONSISTENT WITH OUR DESIRES FOR JUST AND LASTING PEACE. INDEED, ONE CAN SAY THAT THE DIPLOMATIC OR

THE ECONOMIC AND FINANCIAL EFFORTS CAN ON OCCASION EVEN LEAD THE
POLITICAL EFFORTS.

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PAGE 01 CAIRO 03041 04 OF 04 081203Z

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 768

INFO SECTREASURY IMMEDIATE

USIA WASHDC IMMEDIATE

UNCLAS SECTION 4 OF 4 CAIRO 3041

QUESTION: WOULD THIS BE THE CASE IN SYRIA PERHAPS. IN YOUR TALKS
WITH PRESIDENT ASSAD DID YOU GET THIS IMPRESSION?

SECRETARY: I MOST CERTAINLY DID, WITH PRESIDENT ASSAD WITH WHOM
I SPEND TWO AND HALF HOURS--AND YOU KNOW WE HAVE OUR ARES OF
POLITICAL DISAGREEMENTS. IT WAS A HIGHLY PRODUCTIVE SESSION AS
FAR AS THE DESIRES TO STRENGTHEN AND WORK MORE CLOSELY AND
ATTRACT AMERICAN INVESTMENT INTO SYRIA. YES, THAT IS WHAT I MEAN
BY THE ECONOMIC AND BUSINESS SIDE LEADING THE POLITICAL SIDE AS
FAR AS THE PEACE EFFORTS ARE CONCERNED. I THINK IT HAS VERY
POSITIVE BENEFITS.

QUESTION: MR. SECRETARY, SHORTLY AFTER YOUR VISIT TO SAUDI ARABIA
A REPORT APPEARED ON FRONTPAGE OF THE PARIS HERALD TRIBUNE TO
THE EFFECT THAT THE SAUDIS WERE ABANDONING THEIR FIVE-YEAR DE-
VELOPMENT PLAN. WHILE YOU WERE IN RIYADH, DID IN ANY WAY SAUDI
OFFICIALS INDICATE SUCH CONCEPT TO YOU?

SECRETARY: WILL, NOT THE OUTRIGHT ABANDONMENT, I READ THAT STORY IN THE TRIB. THERE ARE SEVERE QUESTIONS BEING RAISED AS TO THEIR UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CAIRO 03041 04 OF 04 081203Z

ABILITY TO SPEND THAT MUCH MONEY PRODUCTIVELY OVER A FIVE-YEAR PERIOD, AND THERE ARE GREAT QUESTIONS AS TO THE TREMENDOUS SOCIOLOGICAL CHANGE THAT WOULD INDUCE RAPIDLY INTO THE SAUDI SOCIETY AND ECONOMY, AND OF COURSE THE INFLATIONARY IMPACT, AND OF COURSE THIS DEBATE GOES ON IN EVERY SOCIETY, AND WE HAD A VERY FRANK DISCUSSION OF THIS WHILE I WAS THERE. I THINK THEY ARE GOING TO DO EVERY THING THAT THEY CAN TO INDUSTRIALIZE AND DIVERSIFY THEIR ECONOMY AS EXPEDITIOUSLY AS THEY POSSIBLY CAN, CONSISTENT WITH A DURABLE NON-INFLATIONARY ECONOMY THAT EVERY ONE DESIRES, AND WITHOUT THE SOCIOLOGICAL DISRUPTION THAT WOULD COME FROM TOO RAPID A CHANGE.

QUESTION: BUT THE SITUATION IS NOT EQUIVALENT TO THAT OF IRAN.

SECRETARY: NO, IT IS NOT BECAUSE BASICALLY YOU'RE STARTING REALLY FROM SCRATCH IN SAUDI ARABIA, AND THEIR PROBLEMS ARE FUNDAMENTAL IN NATURE. THEIR RESOURCES, AS YOU WELL KNOW, THEY AVE ABOUT TWENTYFIVE PERCENT OF THE WORLD'S PROVEN OIL RESERVES WHICH IS QUITE AN ASSET, AND THAT IS ONLY WITH ABOUT HALF THE COUNTRY HAVING BEEN EXPLORED. SO WHO KNOWS HOW MUCH OIL THEY HAVE, BUT THEY WISH TO DIVERSIFY THEIR ECONOMY FOR THE DAY THAT OIL IS NO LONGER IN PRIMACY.

QUESTION: YOU WERE SPEAKING ABOUT IMPEDIMENTS. WOULD YOU CARE TO IDENTIFY WHICH IS THE GREATEST IMPEDIMENT?

SECRETARY: WELL, AS I SAID, I GAVE TWO BEFORE: ONE IS THE DUAL EXCHANGE RATE PROGRAM, AND THE OTHER IS THE FOREIGN EXCHANGE AVAILABILITY FOR CAPITAL, ESPECIALLYINFANT, INVESTMENT IN THIS ECONOMY WHICH REQUEST IMPORTS--THE SEEDS IF YOU SEE IT THAT WAY-- TO PRODUCE IN THE FACTORY--YES, AT ALL-OUT CAPACITY--AND OF COURSE THIS HAS AN INFLATIONARY PROBLEM, A BALANCE OF PAYMENTS PROBLEM, SO YOU HAVE TO WEIGH THESE, AGAIN IN THE SHORT RUN AND THE LONG RUN.

QUESTION: THE FINANCE MINISTER WAS QUOTED IN THE PAPERS THIS MORNING AS SAYING THERE WILL BE SOME NEW REGULATIONS FROM THE BEGINNING OF NEXT MONTH ON FOREIGN EXCHANGE.

SECRETARY: YES, AND I BELIEVE THEY'RE GOING TO BE VERY HELPFUL AND YOU CAN ASK THE FINANCE MINISTER. I WOULD NOT COMMENT ON THE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CAIRO 03041 04 OF 04 081203Z

POLICIES THEY'RE GOING TO PUT IN PLACE, BUT HE GAVE US A FULL
RUNDOWN ON WHAT THEY ARE. I THINK THAT YOU'RE GOING TO SEE THAT
IS GOING TO BE A CONTINUATION OF THE STEPS TOWARD THE OPEN-DOOR TO
ENCOURAGE THE INVESTMENT IN THIS COUNTRY. AGAIN, NO INSTANT
SOLUTIONS, NO INSTANT PLANS, NO INSTANT JOBS, NO INSTANT
PROSPERITY, JUST WORKING AT THE FUNDAMENTS IN THIS ECONOMY TO
PROVIDE FOR THE LONG RUN DURABLE PROSPERITY.

PRESS: THANK YOU MR. SECRETARY.
MAESTRONE

UNCLASSIFIED

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TAGS: OVIP, EGEN, US, EG, (SIMON, WILLIAM E)
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